

FILE THIRD



SEABOARD COAST LINE RAILROAD COMPANY

ROBERT E. NORTHUP
VICE PRESIDENT AND SECRETARY

J. L. WILLIAMS
ASSISTANT VICE PRESIDENT
AND ASSISTANT SECRETARY

RECORDATION NO. Filed & Recorded

FEB 21 1978 3 40 PM

3600 West Broad Street
Richmond, Virginia 23230

February 21, 1978

INTERSTATE COMMERCE COMMISSION

Mr. H. G. Homme, Jr.
Acting Secretary
Interstate Commerce Commission
Washington, D. C. 20423

Dear Mr. Homme:

I am enclosing for filing and recordation under the provisions of Section 20c of the Interstate Commerce Act, as amended, counterparts Nos. 1 through 8, inclusive, of Security Agreement, dated as of January 1, 1978, described in detail below. Such document by its terms provides that each counterpart shall be deemed an original and, accordingly, counterpart No. 2 may be treated as the original and the others as counterparts thereof.

The security title being transferred is to used equipment being sold, reconstructed and leased under documents being filed with the Commission simultaneously herewith for recordation immediately prior hereto.

1. Names and addresses of the parties to the Security Agreement

- (a) Transferor-Debtor - Trust Company for USL, Inc.,
as Owner Trustee, 1211 West 22nd Street, Oak
Brook, Illinois 60521 (See NOTE attached)
- (b) Transferee-Secured Party - National Bank of
Commerce, One Commerce Square, Memphis, Tennessee 38150

2. Description of the equipment

Identifying marks

"Owned By and Leased From a Bank or Trust
Company, as Trustee, and Subject to a
Security Agreement Filed Under the
Interstate Commerce Act, Section 20c"

RECEIVED
FEB 21 3 33 PM '78
CERTIFICATION UNIT

8-052A232

FEB 21 1978

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U.S. DEPARTMENT OF COMMERCE
WASHINGTON, D. C.

M. B. Amerson, Jr.

Charles E. ...

Mr. H. G. Homme, Jr. - 2

<u>General</u> <u>Description</u>	<u>Type of</u> <u>Equipment</u>	<u>A.A.R.Mech.</u> <u>Design.</u>	<u>Number</u>	<u>SCL Road Numbers</u>
Box Cars	50' 55-ton	XM and XL	250	28300-28549, incl.

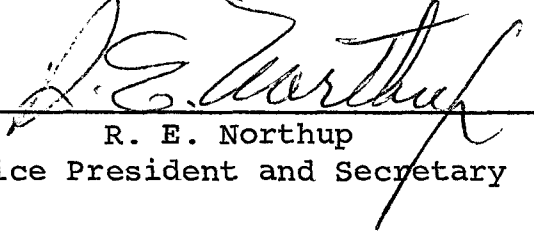
3. Counterparts Nos. 2 through 8 of the above mentioned document should be returned to Mr. Erle J. Zoll, Jr., representing the undersigned, 1000 Connecticut Avenue, N. W., Washington, D. C. 20036.

I am enclosing this company's voucher in the amount of \$50.00 made payable to the Commission covering the recordation fee for the above mentioned document.

Very truly yours,

SEABOARD COAST LINE RAILROAD COMPANY

By


R. E. Northup
Vice President and Secretary

NOTE:

For the purpose of further clarifying the enclosed financing document, it is pointed out that Trust Company for USL, Inc., 1211 West 22nd Street, Oak Brook, Illinois 60521, is the Owner Trustee under a certain Trust Agreement dated as of January 1, 1978, for the benefit of the equity participant NEMLC Leasing Associates No. 1, c/o New England Merchants Leasing Corporation, P. O. Box 2332, Boston, Massachusetts 02107.

COUNTERPART NO. 1 OF
8 COUNTERPARTS.

RECORDATION NO. 3244/B Filed & Recorded

FEB 21 1978 -3 40 PM

INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT

Dated as of January 1, 1978

From

TRUST COMPANY FOR USL, INC.,
as Trustee under Seaboard Coast Line Trust No. 27

DEBTOR

To

NATIONAL BANK OF COMMERCE

SECURED PARTY

(Seaboard Coast Line Trust No. 27)
(250 Rebuilt 50 Foot Boxcars)

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Schedule 1 - Amortization Schedule
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SECURITY AGREEMENT

TRUST COMPANY FOR USL, INC.,
as Trustee under Seaboard Coast Line Trust No. 27

THIS SECURITY AGREEMENT dated as of January 1, 1978 (the "Security Agreement") from TRUST COMPANY FOR USL, INC., as Trustee under Seaboard Coast Line Trust No. 27 (the "Debtor"), whose post office address is 1211 West 22nd Street, Oak Brook, Illinois 60521, Attention: Trust Officer, to NATIONAL BANK OF COMMERCE (the "Secured Party"), whose post office address is One Commerce Square, Memphis, Tennessee 38150;

R E C I T A L S:

A. The Debtor and the Secured Party have entered into a Participation Agreement dated as of January 1, 1978 (the "Participation Agreement") with Seaboard Coast Line Railroad Company, a Virginia corporation (the "Lessee"), providing for the commitment of the Secured Party to purchase on or before July 14, 1978 not exceeding an aggregate principal amount of \$1,656,447.29 of 8-1/4% Secured Notes (the "Notes") of the Debtor. The Notes are to be dated the date of issue, to bear interest at the rate of 8-1/4% per annum prior to maturity, to be expressed to mature in one installment of interest only for the period from and including the date of issue to but not including July 15, 1978, payable on July 15, 1979, followed by 14 installments, payable semiannually thereafter in accordance with the amortization schedule set forth in Schedule 1 hereto, and to be otherwise substantially in the form attached as Exhibit A hereto.

B. The Notes and all principal thereof and interest (and premium, if any) thereon and all additional amounts and other sums at the time due and owing from or required to be paid by the Debtor under the terms of the Notes, this Security Agreement or the Participation Agreement are hereinafter sometimes referred to as "indebtedness hereby secured".

C. All of the requirements of law have been fully complied with and all other acts and things necessary to make this Security Agreement a valid, binding and legal instrument for the security of the Notes have been done and performed.

SECTION 1. GRANT OF SECURITY.

The Debtor in consideration of the premises and other good and valuable consideration, receipt whereof is hereby acknowledged, and in order to secure the payment of the principal of and interest on the Notes according to their tenor and effect, and to secure the payment of all other indebtedness hereby secured and the performance and observance of all covenants and conditions in the Notes and in this Security Agreement and in the Participation Agreement contained, does hereby convey, warrant, mortgage, assign, pledge and grant the Secured Party, its successors in trust and assigns, a security interest in all and singular of the Debtor right, title and interest in and to the properties, rights, interests and privileges described in Section 1.1 and 1.2 hereof subject always to Excepted Rights in Collateral (as defined in Section 1.5 hereof) (all of which properties hereby mortgaged, assigned and pledged or intended so to be are hereinafter collectively referred to as the "Collateral").

1.1. Equipment Collateral. Collateral includes the railroad equipment described in Schedule 2 attached hereto and made a part hereof (collectively the "Equipment" and individually an "Item" or "Item of Equipment") constituting the Equipment leased and delivered under that certain Equipment Lease dated as of January 1, 1978 (the "Lease") between the Debtor, as lessor, and the Lessee, as lessee; together with all accessories, equipment, parts and appurtenances appertaining or attached to any of the Equipment hereinabove described, whether not owned or hereafter acquired, and all substitutions, renewals or replacements of and additions, improvements, accessions and accumulations to any and all of said Equipment, together with all the rents, issues, income, profits and avails therefrom.

1.2. Rental Collateral. Collateral also includes all right, title, interest, claims and demands of the Debtor as lessor in, to and under the Lease, including all extensions of the term of the Lease, together with all rights, powers, privileges, options and other benefits of the Debtor as lessor under the Lease, including, without limitation, but subject always to Excepted Rights in Collateral:

(1) the immediate and continuing right to receive and collect all Interim Rental, Fixed Rental and Casualty Value (as each such term is defined in the Lease), insurance proceeds, condemnation awards and other payments, tenders and security now or hereafter payable or receivable by the lessor under the Lease pursuant thereto,

(2) the right to make all waivers and agreements and to give and receive duplicate copies of all notices and other instruments or communications,

(3) the right to take such action upon the occurrence of an Event of Default under the Lease or an event which with the lapse of time or giving of notice, or both, would constitute an Event of Default under the Lease, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Lease or by law, and to do any and all other things whatsoever which the Debtor or any lessor is or may be entitled to do under the Lease,

it being the intent and purpose hereof that subject always to Excepted Rights in Collateral, the assignment and transfer to the Secured Party of said rights, powers, privileges, options and other benefits shall be effective and operative immediately and shall continue in full force and effect, and the Secured Party shall have the right to collect and receive all Fixed Rental and Casualty Value and other sums for application in accordance with the provisions of Section 4 hereof at all times during the period from and after the date of this Security Agreement until the indebtedness hereby secured has been fully paid and discharged.

1.3. Limitations to Security Interest. The security interest granted by this Section 1 is subject to (a) the right, title and interest of the Lessee under the Lease, and (b) the lien of current taxes and assessments not in default (but only if such taxes are entitled to priority as a matter of law), or, if delinquent, the validity of which is being contested in good faith (collectively "Permitted Encumbrances").

1.4. Duration of Security Interest. The Secured Party, its successors and assigns shall have and hold the Collateral forever; provided, always, however, that such security interest is granted upon the express condition that if the Debtor shall pay or cause to be paid all the indebtedness hereby secured and shall observe, keep and perform all the terms and conditions, covenants and agreements herein and in the Participation Agreement and the Notes contained, then these presents and the estate hereby granted and conveyed shall cease and this Security Agreement shall become null and void; otherwise to remain in full force and effect.

1.5. Excepted Rights in Collateral. Subject to the proviso hereto, there are expressly excepted and reserved from the security interest and operation of this Security Agreement the following described properties, rights, interest and privileges (hereinafter sometimes referred to as the "Excepted Rights in Collateral") and nothing herein or in any other agreement contained shall constitute an assignment of said Excepted Rights in Collateral to the Secured Party:

(a) all payments of and indemnity under Sections 6, 10.2, and 20.3 of the Lease which by the terms of the Lease are payable to the Debtor for its own account;

(b) all rights of the Debtor under the Lease to demand, collect, sue for or otherwise obtain all amounts from the Lessee due the Debtor on account of any such indemnities or payments, provided that the rights excepted and reserved by this paragraph (b) shall not be deemed to include the exercise of any remedies provided for in Section 14 of the Lease except those contained in Section 14.2(a) thereof; and

(c) any insurance proceeds payable under general public liability policies maintained by the Lessee pursuant to Section 11.1 of the Lease which by the terms of such policies or the terms of the Lease are payable directly to the Debtor for its own account; and

(d) that portion of any Rental installment or payment of Casualty Value under the Lease which is paid to the Debtor pursuant to the terms and provisions of this Security Agreement and the Lease.

SECTION 2. COVENANTS AND WARRANTIES OF THE DEBTOR.

The Debtor covenants, warrants and agrees as follows:

2.1. Debtor's Duties. The Debtor covenants and agrees well and truly to perform, abide by and to be governed and restricted by each and all of the terms, provisions, restrictions, covenants and agreements set forth in the Participation Agreement, and in each and every supplement thereto or amendment thereof which may at any time or from time to time be executed and delivered by the parties thereto or their successors and assigns, to the same extent as though each and all of said terms, provisions, restrictions, covenants and agreements were fully set out herein and as though any amendment or supplement to the Participation Agreement were fully set out in an amendment or supplement to this Security Agreement.

2.2. Warranty of Title. The Debtor has the right, power and authority to grant a security interest in the Collateral to the Secured Party for the uses and purposes herein set forth; and the Debtor will warrant and defend the title to the Collateral against all claims and demands of persons claiming by, through or under the Debtor (excepting only the right, title and interest of the Lessee under the Lease and of persons claiming by, through or under the Lessee). The Debtor also agrees that it will, at its own cost and expense without regard to the provisions of Section 7 hereof, promptly take such action as may be necessary to duly discharge any liens, charges or encumbrances on the Collateral which result from claims against the Debtor in its individual capacity and are unrelated to the transactions contemplated by the Operative Agreements (as defined in the participation Agreement); and the Debtor further

agrees to inemnify and hold harmless the Secured Party and the holders of the Notes from and against any cost or expenses (including legal fees and expenses) incurred, in each case, as a result of the imposition or enforcement of any such liens, charges or encumbrances.

2.3. Further Assurances. The Debtor will, at no expense to the Secured Party, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers and assurances necessary or proper for the perfection of the security interest being herein provided for in the Collateral, whether now owned or hereafter acquired. Without limiting the foregoing but in furtherance of the security interest therein granted in the rents and other sums due and to become due under the Lease, the Debtor covenants and agrees that it will notify the Lessee of such assignment pursuant to Section 16 of the Lease and direct the Lessee to make all payments of such rents and other sums due and to become due under the Lease other than Excepted Rights in Collateral directly to the Secured Party or as the Secured Party may direct.

2.4. After-acquired Property. Any and all property described or referred to in the granting clauses hereof which is hereafter acquired shall ipso facto, and without any further conveyance, assignment or act on the part of the Debtor or the Secured Party, become and be subject to the security interest herein granted as fully and completely as though specifically described herein, but nothing in this Section 2.4 contained shall be deemed to modify or change the obligation of the Debtor under Section 2.3 hereof.

2.5. Recordation and Filing. The Debtor will cause this Security Agreement and all supplements hereto, the Lease and all supplements thereto, and all financing and continuation statements and similar notices required by applicable law, at all times to be kept, recorded and filed at no expense to the Secured Party in such manner and in such places as may be required by law in order fully to preserve and protect the rights of the Secured Party hereunder, and will at no expense to the Secured Party furnish to the Secured Party promptly after the execution and delivery of this Security Agreement and of each supplement to this Security Agreement an opinion of counsel stating that in the opinion of such counsel this Security Agreement or such supplement, as the case may be, has been properly recorded or filed for record so as to make effective of record the security interest intended to be created hereby.

2.6. Modifications of the Lease. The Debtor will not, without the prior written consent of the Secured Party and the holders of the Notes, which consent shall not be unreasonably withheld:

(a) declare a default or exercise the remedies of the lessor under, or terminate, modify or accept a surrendaer of, or offer or agree to any termination, modification or surrender of, the Lease (except as otherwise expressly provided herein) or by affirmative act consent to the creation or existence of any security interest or other lien to secure the payment of indebtedness upon the leasehold estate created by the Lease or any part thereof; or

(b) receive or collect any rental payment under the Lease prior to the date for payment thereof provided for by the Lease or assign, transfer or hypothecate (other than to the Secured Party Hereunder) any rent payment then due or to accrue in the future under the Lease in respect of the Equipment; or

(c) sell, mortgage, transfer, assign or hypothecate (other than to the Secured Party hereunder) its interest in the Equipment or any part thereof or in any amount to be received by it from the use or disposition of the Equipment.

2.7. Power of Attorney in Respect of the Lease. The Debtor does hereby irrevocably constitute and appoint the Secured Party, its true and lawful attorney with full power of substitution, for it and in its name, place and stead, to ask, demand, collect, receive, receipt for, sue for, compound and give acquittance for any and all rents, income and other sums which are assigned under Section 1.1 and 1.2 hereof with full power to settle, adjust or compromise any claim thereunder as fully as the Debtor scould itself do, and to endorse the name of the Debtor on all commercial paper given in payment or in part payment thereof, and in its discretion to file any claim or take any other action or proceedings, either in its own name or in the name of the Debtor or otherwise, which the Secured Party may deem necessary or appropriate to protect and preserve the right, title and interest of the Secured Party in and to such rents and other sums and the security intended to be afforded hereby.

2.8. Notice of Default. The Debtor further covenants and agrees that it will give the Secured Party prompt written notice of any event or condition constituting an Event of Default under the Lease if any officer of the Debtor has actual knowledge of such event or condition and is also aware, or should reasonable have been aware, that such event or condition constitutes such an Event of Default.

SECTION 3. POSSESSION, USE AND RELEASE OF PROPERTY.

3.1. Possession of Collateral. While the Debtor is not in default hereunder it shall be suffered and permitted to remain in full possession, enjoyment and control of the Equipment and to

manage, operate and use the same and each part thereof with the rights and franchises appertaining thereto, provided, always, that the possession, enjoyment, control and use of the Equipment shall at all times be subject to the observance and performance of the terms of this Security Agreement. It is expressly understood that the use and possession of the Equipment by the Lessee under and subject to the Lease shall not constitute a violation of this Section 3.1.

3.2. Release of Equipment. So long as no default referred to in Section 14 of the Lease has occurred and is continuing to the knowledge of the Secured Party, the Secured Party shall execute a release in respect of any Item of Equipment designated by the Lessee for settlement pursuant to Section 11 of the Lease upon receipt from the Lessee of written notice designating the Item of Equipment in respect of which the Lease will terminate and the receipt from the Lessee of the Casualty Value payment for such Item of Equipment in compliance with Section 11 of the Lease.

3.3. Release of Equipment - Consent of Noteholders. In addition to the sale, exchange or release pursuant to the foregoing Section 3.2, the Debtor may sell or otherwise dispose of any Equipment then subject to the lien of this Security Agreement, and the Secured Party shall release its interest in the same from the lien hereof to the extent and on the terms and upon compliance with the conditions provided for in the Lease and in any written consent given thereto at any time or from time to time by the holder or holders of the indebtedness hereby secured.

3.4. Protection of Purchaser. No purchaser in good faith of property purporting to be released hereunder shall be bound to ascertain the authority of the Secured Party to execute the release, or to inquire as to any facts required by the provisions hereof for the exercise of such authority; nor shall any purchaser, in good faith, of any item or unit of the Collateral be under obligation to ascertain or inquire into the conditions upon which any such sale is hereby authorized.

SECTION 4. APPLICATION OF ASSIGNED RENTALS AND CERTAIN OTHER MONEYS RECEIVED BY THE SECURED PARTY.

4.1. Application of Rents and Other Payments. As more fully set forth in Section 1.2 hereof the Debtor has hereby granted to the Secured Party a security interest in rents, issues, profits, income and other sums due and to become due under the Lease in respect of the Equipment as security for the Notes. So long as no Event of Default as defined in Section 5 hereof has occurred and is continuing:

(a) The amounts from time to time received by the Secured Party which constitute payment by the Lessee under the Lease of the installments of rental under the Lease shall be applied first, to the payment of the installments of principal and interest (and in each case first to interest and then to principal) on the Notes which have matured or will mature on or before the due date of the installments of rental which are received by the Secured Party, and then the balance, if any, of such amounts shall be paid to or upon the order of the Debtor;

(b) The amounts from time to time received by the Secured Party which constitute settlement by the Lessee of the "Casualty Value" for any Item of Equipment pursuant to Section 11 of the Lease shall be applied by the Secured Party as follows:

(i) First, an amount equal to the accrued and unpaid interest on that portion of the Notes to be prepaid pursuant to the following subparagraph (ii) shall be applied on the Notes;

(ii) Second, an amount equal to the Loan Value (as hereinafter defined) of such Item of Equipment for which settlement is then being made shall be applied to the prepayment of the Notes so that each of the remaining installments of each Note shall be reduced in the proportion that the principal amount of the prepayment bears to the unpaid principal amount of the Notes immediately prior to the prepayment; and

(iii) Third, the balance, if any, of such amounts held by the Secured Party after making the applications provided for by the preceding subparagraphs (i) and (ii) shall promptly be released to or upon the order of the Debtor.

For Purposes of this Section 4.1(b), the "Loan Value", in respect of any Item of Equipment, shall be an amount equal to the product of (A) a fraction, the numerator of which is an amount equal to the Total Cost of such Item of Equipment for which settlement is then being made and the denominator of which is the aggregate Total Cost of all Items of Equipment then subject to the Lease (including the Total Cost of such Item of Equipment for which settlement is then being made), times (B) the unpaid principal amount of the Notes immediately prior to the prepayment provided for in this Section 4.1(b) (after giving effect to all payments of

installments of principal made or to be made on the date of prepayment provided for in this Section 4.1(b); and

(c) The amounts received by the Secured Party from time to time which constitute proceeds of casualty insurance maintained by the Lessee in respect of the Equipment, shall be held by the Secured Party as a part of the Collateral and shall be applied by the Secured Party from time to time to any one or more of the following purposes:

(i) So long as no Event of Default has occurred and is continuing to the knowledge of the Secured Party, the proceeds of such insurance shall, if the Equipment is to be repaired, be released to the Debtor to reimburse the Lessee for expenditures made for such repair upon receipt by the Secured Party of satisfactory proof that any damage to the Equipment has been fully repaired as required by the first paragraph of Section 11.1 of the Lease; and

(ii) If the insurance proceeds shall not have been released to the Debtor pursuant to the preceding subparagraph (i) within 120 days from the receipt thereof by the Secured Party, or if within such period the Lessee shall have notified the Secured Party in writing that the Lease is to be terminated in accordance with the provisions of Section 11.2 of the Lease, then, so long as no Event of Default hereunder has occurred and is continuing to the knowledge of the Secured Party, the insurance proceeds shall be applied by the Secured Party as follows:

(A) First, to the prepayment of the Notes all in the manner and to the extent provided for by Section 4.1(b) hereof; and

(B) Second, the balance, if any, of such insurance proceeds held by the Secured Party after making the applications provided for by the preceding subparagraph (A) shall be released to or upon the order of the Debtor.

4.2. Default. If an Event of Default referred to in Section 5 hereof has occurred and is continuing, all amounts received by the Secured Party pursuant to Section 1.2 hereof shall be applied in the manner provided for in Section 5 in respect of proceeds and avails of the Collateral.

SECTION 5. DEFAULTS AND OTHER PROVISIONS.

5.1. Events of Default. The term "Event of Default" for all purposes of this Security Agreement shall mean one or more of the following:

(a) Default in payment of an installment of the principal of, or interest on, any Note when and as the same shall become due and payable, whether at the due date thereof or at the date fixed for prepayment or by acceleration or otherwise, and any such default shall continue unremedied for ten days; or

(b) An Event of Default as set forth in Section 14 of the Lease; or

(c) Default on the part of the Debtor in the due observance or performance of any covenant, condition or agreement to be observed or performed by the Debtor under this Security Agreement or the Participation Agreement, and such default shall continue unremedied for 30 days after written notice from the Secured Party to the Debtor specifying the default and demanding the same to be remedied; or

(d) Any representation or warranty on the part of the Debtor made herein or in the Participation Agreement or in any certificate or statement furnished in connection with this Security Agreement or the Participation Agreement, or the transactions contemplated therein shall prove to be false or misleading in any material respect when made; or

(e) Any claim, lien or charge (other than the Permitted Encumbrances and liens, charges and encumbrances which the Lessee is obligated to discharge under Section 9 of the Lease) shall be asserted against or levied or imposed upon the Equipment which is prior to or on a parity with the security interest granted hereunder, and such claim, lien or charge shall not be discharged or removed within thirty days after written notice from the Secured Party or the holder of any Note to the Debtor and the Lessee demanding the discharge or removal thereof; or

(f) If Debtor shall consent to the appointment of a receiver, trustee or liquidator of itself or of a substantial part of its property, or shall admit in writing its insolvency or bankruptcy or its inability to pay its debts generally as they come due, or shall make a general assignment for the benefit of creditors, or shall file a petition in bankruptcy, under any bankruptcy laws (as now or hereafter in effect) or shall file a petition or an answer seeking reorganization or a readjustment of its indebtedness, in a proceeding under any bankruptcy laws

(as now or hereafter in effect), or shall file an answer admitting the material allegations of a petition filed against Debtor in any such proceeding, or shall fail seasonably to contest any such proceeding, or shall by petition, answer or consent, seek relief as debtor under the provisions of any now existing or future bankruptcy or other similar law providing for the relief of any obligations of indebtedness or for the reorganization or winding-up of corporations or other entities, or shall enter into an agreement, composition, extension or adjustment with its creditors;

(g) If an order, judgment or decree shall be entered by any court of competent jurisdiction appointing without the consent of Debtor a receiver, trustee or liquidator of Debtor or of any substantial part of its property, or any substantial part of Debtor's property shall be sequestered and any such order, judgment or decree of appointment or sequestration shall remain in force undismissed, unstayed and unvacated for a period of 60 days after the date of entry thereof; or

(h) If there shall be filed a petition against Debtor in a proceeding under any bankruptcy or insolvency laws (as now or hereafter in effect) and such petition shall not be withdrawn or the proceeding dismissed within 60 days thereafter (whether or not consecutive), or any court of competent jurisdiction in a proceeding under the provisions of any law providing for the reorganization or winding-up of corporations shall assume jurisdiction, custody or control of Debtor or of any substantial part of Debtor's property and such jurisdiction, custody or control shall remain in force unrelinquished, unstayed or un-terminated for a period of 60 days (whether or not consecutive).

5.2. Secured Party's Rights. The Debtor agrees that when any Event of Default as defined in Section 5.1 has occurred and is continuing, but subject always to Section 7 hereof, the Secured Party shall have the rights, options, duties and remedies of a secured party, and the debtor shall have the rights and duties of a debtor, under the Uniform Commercial Code of Illinois (regardless of whether such Code or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted) and without limiting the foregoing, the Secured Party may exercise any one or more or all, and in any order, of the remedies hereinafter set forth, it being expressly understood that no remedy herein conferred is intended to be exclusive of any other remedy or remedies, but each and every remedy shall be cumulative and shall be in addition to every other remedy given herein or now or hereafter existing at law or in equity or by statute.

(a) The Secured Party may be notice in writing to the Debtor declare the entire unpaid balance of

the Notes to be immediately due and payable; and thereupon all such unpaid balance, together with all accrued interest thereon, shall be and become immediately due and payable.

(b) Subject always to the rights of the Lessee under the Lease, the Secured Party personally or by agents or attorneys, shall have the right (subject to compliance with any applicable mandatory legal requirements) to take immediate possession of the Collateral, or any portion thereof, and for that purpose may pursue the same wherever it may be found, and may enter any of the premises of the Debtor, with or without notice, demand, process of law or legal procedure, if this can be done without breach of the peace, and search for, take possession of, remove, keep and store the same, or use and operate or lease the same until sold;

(c) Subject always to the rights of the Lessee under the Lease, the Secured Party may, if at the time such action may be lawful and always subject to compliance with any mandatory legal requirements, either with or without taking possession and either before or after taking possession, and without instituting any legal proceedings whatsoever, and having first given notice of such sale by registered mail to the Debtor and the Lessee once at least ten days prior to the date of such sale, and any other notice which may be required by law, sell and dispose of the Collateral, or any part thereof, at public auction to the highest bidder, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the Secured Party may determine, and at any place (whether or not it be the location of the collateral or any part thereof) designated in the notice above referred to. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, or for any such adjourned sale or sales, without further published notice, and the Secured Party or the holder or holders of the Notes, or of any interest therein, may bid and become the purchaser at any such sale;

(d) Subject always to the rights of the Lessee under the Lease, the Secured Party may proceed to protect and enforce this Security Agreement and the Notes by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted; or for foreclosure hereunder, or for the appointment of a receiver or receivers for the mortgaged property or any part thereof, or subject to the provisions of Section 7 hereof, for the recovery of judgment for the indebtedness hereby secured or for the enforcement of any other proper, legal or equitable remedy available under applicable laws; and

(e) Subject always to the rights of the Lessee under

the Lease, the Secured Party may proceed to exercise all rights, privileges and remedies of the Debtor under the Lease, and may exercise all such rights and remedies either in the name of the Secured Party or in the name of the Debtor for the use and benefit of the Secured Party.

5.3. Certain Rights of the Debtor on the Occurrence of an Event of Default under the Lease. Except as hereinafter provided, if an Event of Default under the Lease of which the Secured Party has knowledge shall have occurred and be continuing, the Secured Party shall give the Debtor not less than 20 days' prior written notice of the date (the "Enforcement Date") on which the Secured Party will exercise any remedy or remedies pursuant to Section 5.2 hereof. If an Event of Default under the Lease shall have occurred and be continuing, the Debtor shall have the following rights hereunder:

(a) Right to Cure. In the event of the occurrence of an Event of Default in respect of the payment of money under Section 14.1(a) of the Lease on the day it becomes due and payable, or in the event of the occurrence of an Event of Default in respect of any other obligation of the Lessee under the Lease, the Debtor may, prior to the Enforcement Date, pay to the Secured Party an amount equal to any principal and interest (including interest, if any, on overdue payments of principal and interest) then due and payable on the Notes, or, as the case may be, perform in a manner satisfactory to the Secured Party any other such obligation and such payment or such performance by the Debtor shall be deemed to cure any Event of Default under the Lease which would otherwise have arisen on account of the non-performance of such other obligation under the Lease; provided that in the case of a default in the payment of an installment of rental under the Lease the Debtor may cure only two such defaults through such payment without the further written approval of the Secured Party.

Except as hereinafter in this Section 5.3(a) provided, the Debtor shall not obtain any lien, charge or encumbrance of any kind on any of the Collateral or any rent payable under the Lease for or on account of costs or expenses incurred in connection with the exercise of such right, nor shall any claim of the Debtor against the Lessee or any other party for the repayment of such costs or expenses impair the prior right and security interest of the Secured Party in and to the Collateral. Upon such payment by the Debtor of the amount of principal and interest then due and payable on the Notes, the Debtor shall be subrogated to the rights of the Secured Party and the holders of the Notes in respect of the rental which was overdue at the time of such payment and interest payable by the Lessee on account of its being overdue, and therefore, if no other Event of Default or other event which with the lapse of time or the giving of notice, or both, would constitute an Event of Default shall have occurred and be continuing and if all principal and interest payments due on the Notes have been paid at the time of receipt by the Secured Party of such rental, the Debtor shall be entitled to receive such

rental and such interest upon receipt thereof by the Secured Party; provided that (i) in the event the principal and interest on the Notes shall have become due and payable pursuant to Section 5.2(a) hereof, such subrogation shall, until principal of and interest on all Notes shall have been paid in full, be subordinated to the rights of the Secured Party and the holders of the Notes in respect of such payment of rental and such interest on such overdue rental prior to receipt by the Debtor of any amount pursuant to such subrogation, and (ii) the Debtor shall not be entitled to seek to recover any such payment (or any payment in lieu thereof) except pursuant to the foregoing right of subrogation.

(b) Option to Prepay Notes. Whether or not the Debtor shall then have the right to cure an Event of Default under the Lease pursuant to Section 5.3(a) above, the Debtor may at its option prepay the Notes by payment of the entire unpaid principal amount thereof, together with accrued interest thereon to the date of prepayment but without premium or penalty or any kind whatsoever.

5.4. Acceleration Clause. In case of any sale of the Collateral, or of any part thereof, pursuant to any judgment or decree of any court or otherwise in connection with the enforcement of any of the terms of this Security Agreement, the principal of the Notes, if not previously due, and the interest accrued thereon, shall at once become and be immediately due and payable; also in the case of any such sale, the purchaser or purchasers, for the purpose of making settlement for or payment of the purchase price, shall be entitled to turn in and use the Notes and any claims for interest matured and unpaid thereon, in order that there may be credited as paid on the purchase price the sum apportionable and applicable to the Notes including principal and interest thereof out of the net proceeds of such sale after allowing for the proportion of the total purchase price required to be paid in actual cash.

5.5. Waiver by Debtor. To the extent permitted by law, the Debtor covenants that it will not at any time insist upon or plead, or in any manner whatever claim or take any benefit or advantage of, any delay, stay or extension law now or at any time hereafter in force, nor claim, take or insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisal of the Collateral or any part thereof, prior to any sale or sales thereof to be made pursuant to any court of competent jurisdiction; nor, after such sale or sales, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and, to the full extent legally permitted, hereby expressly waives for itself and on behalf of each and every person, except decree or judgment creditors of the Debtor acquiring any interest in or title to the Collateral or any part thereof subsequent to the date of this Security Agreement, all benefit and advantage of any such law or laws; provided, however, that no provision hereof shall be construed as constituting a waiver by the Debtor of its right under Article 9 of the Uniform Commercial

Code to sale of the Collateral in a commercially reasonable manner.

5.6. Effect of Sale. Any sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of the Debtor in and to the property sold, shall be a perpetual bar, both at law and in equity, against the Debtor, its successors and assigns, and against any and all persons claiming the property sold or any part thereof under, by or through the Debtor, its successors or assigns (subject, however, to the then existing rights, if any, of the Lessee under the Lease).

5.7. Application of Sale Proceeds. The proceeds and/or avails of any sale of the Collateral, or any part thereof, and the proceeds and the avails of any remedy hereunder shall be paid to and applied as follows:

(a) First, to the payment of costs and expenses of foreclosure or suit, if any, and of such sale, and of all proper expenses, liability and advances, including legal expenses and attorneys' fees, incurred or made hereunder by the Secured Party, or the holder or holders of the Notes and of all taxes, assessments or liens superior to the lien of these presents, except any taxes, assessments or other superior lien subject to which said sale may have been made;

(b) Second, to the payment of the holder or holders of the Notes of the amount then owing or unpaid on the Notes for principal, interest and premium, if any; and in case such proceeds shall be insufficient to pay in full the whole amount so due, owing or unpaid upon the Notes, then ratably according to the aggregate of such principal and the accrued and unpaid interest and premium, if any, with application on each Note to be made, first, to the unpaid principal thereof, second, to unpaid premium, if any, thereon, and third, to unpaid interest thereon; such application to be made upon presentation of the several Notes, and the notation thereon of the payment, if partially paid, or the surrender and cancellation thereof, if fully paid; and

(c) Third, to the payment of the surplus, if any, to the Debtor, its successors and assigns, or to whomsoever may be lawfully entitled to receive the same.

5.8. Discontinuance of Remedies. In case the Secured Party shall have proceeded to enforce any right under this Security Agreement by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason

or shall have been determined adversely, then and in every such case the Debtor, the Secured Party and the holders of the Notes shall be restored to their former positions and rights hereunder with respect to the property subject to the security interest created under this Security Agreement.

5.9. Cumulative Remedies. No delay or omission of the Secured Party or of the holder of any Note to exercise any right or power arising from any default on the part of the Debtor, shall exhaust or impair any such right or power or prevent its exercise during the continuance of such default. No waiver by the Secured Party, or the holder of any Note of any such default, or to impair the rights resulting therefrom except as may be otherwise provided herein. No remedy hereunder is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given hereunder or otherwise existing; nor shall the giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the indebtedness secured under this Security Agreement operate to prejudice, waive or affect the security of this Security Agreement or any rights, powers or remedies hereunder, nor shall the Secured Party or holder of any of the Notes be required to first look to, enforce or exhaust such other or additional security, collateral or guaranties.

SECTION 6. LIMITATIONS OF LIABILITY.

Anything in this Security Agreement, the Participation Agreement, the Notes, the Lease, and certificate, opinion or document of any nature whatsoever to the contrary notwithstanding, neither the Secured Party nor the holder of any Note nor their respective successors or assigns shall have any claim, remedy or right to proceed (in law or equity) against the Trust Company for USL, Inc. in its individual capacity or against the Trustor (except to the extent the Trustor shall be obligated under the Participation Agreement to advance funds to the Debtor), or the Agent (except in the case of the gross negligence or wilful misconduct of any such party, it being understood that the gross negligence or wilful misconduct of any such party shall not be imputed to any other such party) for any deficiency or any other sum owing on account of the indebtedness evidenced by the Notes or for the payment of any liability resulting from the breach of any representation, agreement or warranty of any nature whatsoever from any source other than the Collateral, including the sums due and to become due under the Lease, and the Secured Party by the execution hereof, and the holders of the Notes by acceptance thereof waive and release any personal liability of the Trust Company for USL, Inc., both in their fiduciary capacity and in their respective individual capacities, the Trustor (except as above provided) and the Agent (except in the case of the gross negligence or wilful misconduct of any such party, it being understood that the gross negligence or wilful misconduct of any such party shall not be imputed to any other such party) for and on account of such

indebtedness or such liability; and the Secured Party and the holders of the Notes agree to look solely to the Collateral including the sums due and to become due under the Lease, for the payment of said indebtedness or the satisfaction of such liability; provided, however, nothing herein contained shall limit, restrict or impair the rights of the Secured Party to accelerate the maturity of the Notes upon a default thereunder, to bring suit or obtain a judgment against the Debtor on the Notes (provided that neither the Trust Company for USL, Inc., in its individual capacity nor the Trustor (except as above provided) nor the Agent shall have any personal liability on any such judgment and the satisfaction thereof shall be limited to the Collateral, including the sums due and to become due under the Lease, including the interest therein of the Debtor, the Trustor or the Agent) or to exercise all rights and remedies provided under this Agreement or otherwise realize upon the Collateral, including the sums due or to become due under the Lease, including the right to proceed against the Lessee under the Lease.

SECTION 7. SUPPLEMENTAL SECURITY AGREEMENTS: WAIVERS.

Upon the waiver or consent of the Secured Party, (a) the Debtor may take any action prohibited, omit the taking of any action required, by any of the provisions of this Security Agreement or any agreement supplemental hereto, or (b) the Debtor and the Secured Party may enter into an agreement or agreements supplemental hereto for the purpose of adding, changing or eliminating any provisions of this Security Agreement or of any agreement supplemental hereto or modifying in any manner the rights and obligations of the holders of the Notes and Debtor.

SECTION 8. MISCELLANEOUS.

8.1. Successors and Assigns. Whenever any of the parties hereto is referred to such reference shall be deemed to include the successors and assigns of such party; and all the covenants, promises and agreements in this Security Agreement contained by or on behalf of the Debtor or by or on behalf of the Secured Party, shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

8.2. Partial Invalidity. The unenforceability or invalidity of any provision or provisions of this Security Agreement shall not render any other provision or provisions herein contained in this Section 8.2 shall be construed to be in derogation of any rights or immunities of the Debtor under Section 6 hereof, or to amend or modify any limitations or restrictions of the Secured Party or the holder of any Note or their respective successors or assigns under said Section 6.

8.3. Communications. All communications provided for herein shall be in writing and shall be deemed to have been given (unless otherwise required by the specific provisions hereof in respect of any matter) when delivered personally or when deposited in the United States mail, registered, postage prepaid, addressed as follows:

If to the Debtor: Trust Company for USL, Inc.,
as Trustee under Seaboard Coast
Line Trust No. 27
1211 West 22nd Street
Oak Brook, Illinois 60521

with a copy to:
United States Lease Financing, Inc.
633 Battery Street
San Francisco, California 94111
Attention: Vice President-Operations
and to the Trustor at: NEMLC
Leasing Associates No. 1
c/o New England Merchants Leasing
Corporation
P. O. Box 2332
Boston, Massachusetts 02107
Attention: Vice President-Administration

If to the Secured
Party:

National Bank of Commerce
One Commerce Square
Memphis, Tennessee 38150
Attention: William H. Norcross
Vice President

or to any such party at such other address as such party may designate by notice duly given in accordance with this Section to the other party.

8.4. Release. The Secured Party shall release this Security Agreement and the security interest granted hereby by proper instrument or instruments upon presentation of satisfactory evidence that all indebtedness secured hereby has been fully paid or discharged.

8.5. Governing Law. This Security Agreement and the Notes shall be construed in accordance with and governed by the laws of the State of Illinois; provided, however, that the Secured Party shall be entitled to all the rights conferred by any applicable Federal statute, rule or regulation.

8.6. Counterparts. This Security Agreement may be executed, acknowledged and delivered in any number of counterparts, each of such counterparts constituting an original but all together only one Security Agreement.

8.7. Headings. Any headings or captions preceding the text of the several sections hereof are intended solely for convenience of reference and shall not constitute a part of this Security Agreement nor shall they affect its meaning, construction or effect.

IN WITNESS WHEREOF, the Debtor has caused this Security Agreement to be executed on its behalf by one of its Vice Presidents and its corporate seal to be hereunto affixed, and said seal and this Security Agreement to be attested by one of its Assistant Secretaries, all as of the day and year first above written.

TRUST COMPANY FOR USL, INC.,
as Trustee under Seaboard Coast Line
Trust No. 27

(SEAL)

ATTEST:



Secretary

By



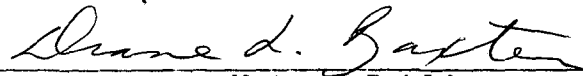
Vice President

ILLINOIS
STATE OF ~~CALIFORNIA~~)
 COOK) SS
~~CITY AND COUNTY OF SAN FRANCISCO~~)

On the 13th day of February, 1978, before me personally appeared Myron M. Christy, to me personally known, who being by me duly sworn, says that he is a ~~Vice~~ President of TRUST COMPANY FOR USL, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.



My commission expires: June 30, 1981



Notary Public

AMORTIZATION SCHEDULE

(Payments Required Subsequent to July 15, 1978
Per \$100,000 Principal Amount
of 8-1/4% Secured Notes, Issued by Debtor)

<u>Payment No.</u>	<u>Portion Allocated to Principal</u>	<u>Portion Allocated to Interest</u>	<u>Total Payment</u>	<u>Principal Balance</u>
1	\$6,054.10	\$4,125.00	\$10,179.10	\$93,945.90
2	\$6,303.83	\$3,875.27	\$10,179.10	\$87,642.07
3	\$6,563.86	\$3,615.24	\$10,179.10	\$81,078.21
4	\$6,834.62	\$3,344.48	\$10,179.10	\$74,243.59
5	\$7,116.55	\$3,062.55	\$10,179.10	\$67,127.04
6	\$7,410.11	\$2,768.99	\$10,179.10	\$59,716.93
7	\$6,452.15	\$2,463.32	\$ 8,915.47	\$53,264.78
8	\$6,718.30	\$2,197.17	\$ 8,915.47	\$46,546.48
9	\$6,995.43	\$1,920.04	\$ 8,915.47	\$39,551.05
10	\$7,283.99	\$1,631.48	\$ 8,915.47	\$32,267.06
11	\$7,584.45	\$1,331.02	\$ 8,915.47	\$24,682.61
12	\$7,897.31	\$1,018.16	\$ 8,915.47	\$16,785.30
13	\$8,223.08	\$ 692.39	\$ 8,915.47	\$ 8,562.22
14	\$8,562.22	\$ 353.19	\$ 8,915.47	\$ 0.00

SCHEDULE 1
(to Security Agreement)

DESCRIPTION OF EQUIPMENT

<u>Number of Items</u>	<u>Description</u>	<u>Identifying Numbers (Both Inclusive)</u>
250	50 Foot Roller Bearing Rebuilt Boxcars	SCL 28300 through SCL 28549

TRUST COMPANY FOR USL, INC.,
as Trustee under Seaboard Coast Line Trust No. 27

8-1/4% SECURED NOTE

\$

, 1978

FOR VALUE RECEIVED, the undersigned, TRUST COMPANY FOR USL, INC., as Trustee under Seaboard Coast Line Trust No. 27 (the "Trustee") promises to pay to

or order
the principal sum of

DOLLARS (\$)

together with interest from the date hereof until maturity at the rate of 8-1/4% per annum (computed on the basis of a 360-day year of 12 consecutive 30-day months) on the unpaid principal hereof, in installments as follows:

(i) one (1) installment of all accrued and unpaid interest only at the rate of 8-1/4% per annum payable on July 15, 1978; followed by

(ii) six (6) installments of principal and interest at the rate of 8-1/4% per annum, each in the amount of \$_____, payable on January 15, 1979 and on the fifteenth day of each July and January thereafter, to and including July 15, 1981; followed by

(iii) seven (7) installments of principal and interest at the rate of 8-1/4% per annum, each in the amount of \$_____, payable on January 15, 1982 and on the fifteenth day of each July and January thereafter to and including January 15, 1985; followed by

(iv) a final installment on July 15, 1985, in the amount equal to the entire principal and interest at the rate of 8-1/4% per annum remaining unpaid as of said date;

EXHIBIT A
(to Security Agreement)

and to pay interest on overdue principal and (to the extent legally enforceable) on overdue interest at the rate of 9-1/4% per annum after maturity, whether by acceleration or otherwise, until paid. Both the principal hereof and interest hereon are payable to the registered holder hereof at the principal office of the Trustee referred to below in Oak Brook, Illinois, in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts.

This Note is one of the 8-1/4% Secured Notes (the "Notes") of the Trustee not exceeding \$1,656,447.29 in aggregate principal amount which are issued under and pursuant to the Participation Agreement dated as of January 1, 1978 among the Trustee, Seaboard Coast Line Railroad Company (the "Lessee"), NEMLC Leasing Associates No. 1 (the "Trustor"), and National Bank of Commerce (the "Secured Party") and also issued under and equally and ratably with said other Notes secured by that certain Security Agreement dated as of January 1, 1978 (the "Security Agreement") from the Trustee to the Secured Party. Reference is made to the Security Agreement and all supplements and amendments thereto executed pursuant to the Security Agreement for a description of the collateral, the nature and extent of the security and rights of the Secured Party, the holder or holders of the Notes and of the Trustee in respect thereof.

Certain prepayments are required to be made on this Note and any other Notes outstanding under the Security Agreement. The Trustee agrees to make the required prepayments on the Notes in accordance with the provisions of the Security Agreement.

The terms and provisions of the Security Agreement and the rights and obligations of the Trustee and the rights of the holders of the Notes may be changed and modified to the extent permitted by and as provided in the Security Agreement.

This Note and the Security Agreement are governed by and construed in accordance with the laws of the State of Illinois.

Anything in this Note, the Security Agreement, the Participation Agreement, the Lease (as defined in the Participation Agreement), any certificate, opinion or document of any nature whatsoever to the contrary notwithstanding, neither the Secured Party nor the holder of this Note nor their respective successors or assigns shall have any claim, remedy or right to proceed (in law or equity) against Trust Company for USL, Inc. in its individual capacity or against the Trustor (as defined in the Participation Agreement) (except to the extent the Trustor shall be obligated under the Participation Agreement to advance funds to the Debtor), or United States Lease Financing, Inc. (the "Agent") (except in the case of the gross negligence or wilful misconduct of any such party, it being understood that the gross negligence or wilful misconduct of any

such party shall not be imputed to any other such party) for any deficiency or any other sum owing on account of the indebtedness evidenced by the Notes or for the payment of any liability resulting from the breach of any representation, agreement or warranty of any nature whatsoever from any source other than the Collateral, including the sums due and to become due under the Lease, and the Secured Party by the execution hereof, and the holder of this Note by acceptance thereof waives and releases any personal liability of the Trust Company for USL, Inc., both in its fiduciary capacity and in its individual capacity, the Trustor (except as above provided) and the Agent (except in the case of the gross negligence or wilful misconduct of any such party, it being understood that the gross negligence or wilful misconduct of any such party shall not be imputed to any other such party) for and on account of such indebtedness or such liability; and the Secured Party and the holders of this Note agree to look solely to the Collateral including the sums due and to become due under the Lease, for the payment of said indebtedness or the satisfaction of such liability; provided, however, nothing herein contained shall limit, restrict or impair the rights of the Secured Party to accelerate the maturity of this Note upon a default hereunder, to bring suit or obtain a judgment against the Debtor on the Notes (provided that neither the Trust Company for USL, Inc., in its individual capacity nor the Trustor (except as above provided) nor the Agent shall have any personal liability on any such judgment and the satisfaction thereof shall be limited to the Collateral, including the sums due and to become due under the Lease, including the interest therein of the Debtor, the Trustor or the Agent) or to exercise all rights and remedies provided under this Agreement or otherwise realize upon the Collateral, including the sums due or to become due under the Lease, including the right to proceed against the Lessee under the Lease.

IN WITNESS WHEREOF, the Trustee has caused this Note to be duly executed, not individually but solely as Trustee under Seaboard Coast Line Trust No. 27.

TRUST COMPANY FOR USL, INC.,
as Trustee under Seaboard
Coast Line Trust No. 27

By _____
Its Vice President

NOTICE:

THIS NOTE HAS NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933 OR UNDER THE SECURITIES LAWS OF ANY STATE. THE NOTE MAY NOT BE OFFERED OR SOLD UNLESS IT IS REGISTERED UNDER THE APPLICABLE SECURITIES LAWS OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.